

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7540**

**BILL NUMBER:** SB 528

**NOTE PREPARED:** Jan 16, 2009

**BILL AMENDED:**

**SUBJECT:** School Scholarship Tax Credit.

**FIRST AUTHOR:** Sen. Yoder

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill provides a state tax credit to a taxpayer that makes a contribution to a scholarship granting organization for use by the scholarship granting organization in a scholarship program to provide scholarships to eligible students. It defines "eligible student" as an individual who: (1) has legal settlement in Indiana; (2) is between five and 22 years of age; and (3) either: (A) qualifies for the federal free or reduced price lunch program; or (B) received a scholarship as an eligible student in the immediately preceding school year. The bill also sets forth a process for the Department of State Revenue to certify a scholarship program administered by a scholarship granting organization.

**Effective Date:** Upon passage; January 1, 2009 (retroactive).

**Explanation of State Expenditures:** (Revised) *Department of State Revenue (DOR)*: The DOR estimates that costs resulting from the provisions in this bill could be between \$200,000 to \$300,000, and may require two or three full time staff.

The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax credit. The DOR is also required to provide the following information on their website: (1) the credit application; (2) the time line for receiving the credit; and (3) the amount of credits awarded during the current fiscal year. Contributors will receive a receipt from a scholarship granting organization that must be prescribed by the DOR, and include the amount of the contribution that is designated for use in a scholarship program. The DOR must also certify all qualifying applicants for certification as scholarship granting organizations and maintain a publicly available list of school scholarship programs that are certified as eligible to participate in the credit program. If a scholarship granting organization is suspected of fraud, then the DOR may conduct either a financial review or an audit of the organization.

*Indiana Department of Education (IDOE)* - This bill provides for the IDOE, to adopt temporary rules to implement the new chapter added, IC 20-51, which pertains to educational scholarships. The IDOE's current level of resources should be sufficient to implement this provision.

**Explanation of State Revenues: Summary** - This bill provides a nonrefundable tax credit to individuals and corporations that make contributions to scholarship granting organizations beginning in tax year 2009. The amount of credits that will be claimed and the resulting fiscal impact on the state General Fund beginning in FY 2010 is indeterminable. The credit is equal to 35% of the amount of the charitable contribution, and the amount of credits granted may not exceed \$5 M in any fiscal year. The tax credit may not be carried back or carried forward.

**Background Information** - If 5,000 individuals or corporations donate \$500 each, then the revenue loss would be \$875,000. If 10,000 individuals or corporations donate \$1,000 each, then the revenue loss would be \$3.5 M. A contribution of \$500 would receive a credit of \$175, and a contribution of \$1,000 would receive a credit of \$350. Charitable contributions must be made to school scholarship programs established by scholarship granting organizations to assist in payment of tuition and fees for students that reside in Indiana, are ages 5 to 22, and qualify for the federal free or reduced price lunch program. After this tax credit program is established, eligible students will also include those who received scholarships in the immediately preceding school years or terms.

Currently, there are approximately 7,770 students attending schools where tuition and fees were required and qualified for the federal free or reduced price lunch program. This number has increased by approximately .22% since FY 2005. The average cost of education per student was approximately \$6,350 for FY 2008.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DOR; IDOE.

**Local Agencies Affected:**

**Information Sources:** Tom Conley, Department of State Revenue, 317-232-2107; Indiana Department of Education, Indiana K-12 Education Data, <http://www.doe.state.in.us/>.

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